

The Government's Plan for Operating the Railroads

Rea Urges U. S. To Increase Rates To Meet Expenses

Railways Must Be Made Self-Sustaining, Says Head of Pennsylvania

Asks Full Cooperation Declares Roads' Entire Energy Must Be Devoted to War Traffic

WASHINGTON, Dec. 27.—President Samuel Rea of the Pennsylvania Railroad Company tonight authorized a statement on the government control of railroads in which a broadening of the rate structure is suggested to cover increased costs and to avoid the necessity of Congressional appropriations.

The statement says:

"Samuel Rea, president of the Pennsylvania Railroad system, said he was not prepared at present to make any conclusive statement on the proposed governmental control of the railroads. The working features of the plan are not yet announced and there are many divergent results in the suggested three-year period preceding June 30, 1917, on the roads in different parts of the country.

"The plan would be assumed, he broadened to provide not only for renewing and extending maturing obligations, which would be necessary, but also to provide new capital for additions and betterments to road and equipment. This is imperative required to promptly move the traffic on the Pennsylvania system, and naturally the rate structure should be broadened to cover the increased costs and charges to avoid the necessity of Congressional appropriations, which would have to be made up by increasing general taxation. In short, the railroads must be made self-sustaining.

"Therefore, he felt the present duty of the railroad was to study the situation and confer with the officers of the government to ascertain the full scope of the proposed plan, and especially to devote their entire energy to promptly moving the war traffic, and to the recommendations and assurances contained in the proclamation and statement, which, the President believes, Congress will be disposed to improve."

Substantially, these recommendations and statements are to the effect that nothing therein contained, expressed or implied, or hereafter made, shall be deemed in any way to impair the rights of the stockholders, bondholders, creditors and other persons having interests in the Pennsylvania Railroad, or in any of its subsidiaries, or in any of the property thereof, to receive just and adequate compensation for the same, control and operation of their property thereby assured.

Two Pennsylvania R. R. Directors Approve U. S. Operation of Railways

PHILADELPHIA, Dec. 27.—C. Stuart Patterson, a director of the Pennsylvania Railroad and a leading financier, approved the taking over of the operation of railroads by the government, said in an interview to-day.

"The President has acted wisely," he said. "He has done that which he deems best for the entire country. The government is taking over the operation of railroads for the war. It is a great relief to the situation, and the government intends to do the square thing by the railroads." Mr. Patterson said the President's action should be a great relief to the situation, and the government intends to do the square thing by the railroads.

Railroad Bankers Approve of Control Of Carriers by U. S.

Unqualified indorsement of the President's railroad proclamation, including the selection of Secretary of the Treasury McAdoo as director general, was given by the Wall Street banking community. "It means a swing of the business pendulum in the right direction," the President's action should be a great relief to the situation, and the government intends to do the square thing by the railroads.

Unions Here Indorse U. S. Control of Roads

Favor Federal Ownership of Public Utilities, Leaders Say

Leaders of New York's 500,000 trade unionists announced yesterday that organized labor was behind President Wilson in every step of his program for Federal control of public utilities generally and of the nation's railroads specifically.

"No matter how far the President goes along this line, we are behind him," said Robert P. Brindell, head of the executive board of the Central Federation of Labor. "Organized labor throughout the country is pledged to the President's policy, and action already taken in relation to government control of railroads has its hearty indorsement."

Bernard Berger, general secretary of the United Garment Workers of America, added his indorsement and that of the members of his union to that of the other labor leaders. Other union officials said that government control of the railroads would go a long way toward providing a continued flow of coal and food into the big cities and prevent the suffering among the poor that has been prevalent in every city in the country.

Priority Orders Forced Lines Into Federal Control

Bungling by Government Officials Responsible in a Large Measure for Freight Congestion at the Country's Great Terminals

By Theodore M. Knappen

Government bungling, in large measure, brought the railroads to their present condition of inability to fulfill their functions satisfactorily, though they are actually moving 10 per cent more tonnage than last year. The bungling was accomplished through the priority abuse. Now the source of the trouble is seeking to undo what it has done by tackling the whole job of railway administration.

The government was not able to transact its own business with the railroads in an efficient manner, but it is confident that it can efficiently direct all the affairs of transportation. The railroads were rendered inefficient by the government, and now because they are inefficient the government takes them over.

This is not saying that it is a mistake for the government to take the railroads over, but the fact remains that the railroads were not given a free field in which to demonstrate that they were capable of meeting the war emergency, and that the introduction of government control cannot be properly considered the just penalty of proved incompetence.

The indiscriminate efforts to obtain preferential movement of government freight, of war-priority freight, have blocked the war-priority freight, which are not, until there are today 75,000 loaded cars encumbering the terminals around New York alone.

"Good to Result," Says Shonts

T. P. Shonts, president of the Interborough Rapid Transit Company, said: "With security holders protected by the government guarantee on a reasonable basis, the government should be able to do the job. The guarantee of securities should encourage investors, and the increased efficiency from unified operation will greatly increase the transportation power of the country."

In steel and railroad equipment circles opinions were expressed that the taking over of the railroads by the government, with a fair guarantee of earnings, should benefit these industries. Putting into operation of the President's recommendations, it was stated, should be followed by an increase in steel and railroad equipment buying.

Experts Combine To End Congestion

Cars in Yards Being Used for Storage, Committee Finds

TRENTON, Dec. 27.—A joint committee upon which are traffic experts of this state and of New York has been organized to aid in relieving freight congestion. Already it has discovered the delays in unloading upon the part of the consignee play an important part in forming the sluggish habits of the carrier.

For example, on Saturday about eighty cars loaded with potatoes, cabbages, beets, turnips and onions in the Thirty-second Street yard of the New York Central Railroad in New York had exceeded the time allowance for free discharge of their cargoes. One of the cars had been loading in the yard since November 16.

The committee has sent letters to consignees asking them to use all possible haste in unloading shipments so that the cars may be released for other work. It is compiling a list of those who are inclined to use freight cars for storage purposes, and unless its warnings are heeded the committee intends to make the names public.

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B. & O. May Enter Pennsylvania Station

WASHINGTON, Dec. 27.—Order No. 1, to be issued by Director General McAdoo, will provide for the pooling of traffic and facilities, the common use of terminals, tracks and equipment, the hauling of freight by the shortest route, and the lessening of billing and routing, and the retention of all present officers and employees of railroads.

McAdoo Will Be Supreme as U. S. Railroad Director

Continued from page 1

disposal of the director the entire work and facilities of the commission. The shipper will no longer have his choice as to which road he will ship over, any more than the sender of a letter or parcel has choice as to which carrier he will use. He will be required to ship his goods to its proper destination. The agent routes the shipment over the line which can carry it most economically and speedily, and to one in which the sender has no voice. The sender will be required to carry that particular car of freight. No one cares.

The government is paying the owners of all property involved a fixed amount of money which has been determined by an act of Congress for the use of the property by the government. The government is taking care of wear and tear on that property.

Which road any particular engine or car goes over makes no difference to the shipper. He will be required to ship his goods to its proper destination. The agent routes the shipment over the line which can carry it most economically and speedily, and to one in which the sender has no voice. The sender will be required to carry that particular car of freight. No one cares.

Mr. McAdoo will take up his offices in a day or two in the building occupied by the Interstate Commerce Commission. He will select a personal staff, which will probably be small, but he will not decide on such details as whether he will appoint regional directors, or whether he will supervise the entire country without such intermediaries.

Asked a report that John Skelton Williams, now Controller of the Currency, and who has had railroad experience in connection with the Seaboard Air Line Railway, would be one of his assistants, he said he had no course to ask for an interpretation of the interpretation.

In going over that above mentioned blue bundle he made some delightful discoveries of priority orders. He found, for instance, that prior to after forty-five days had succeeded in getting about two hundred miles away from the loading point. If the steel mill was getting any benefit from that sort of preference I wonder where he thinks he would be if he were not the beneficiary of priority.

Mixed up with the burlesques of priority, however, were coke cars only three days out from the same ovens, which had no benefit of priority. The prior cars had progressed at the perilous speed of four miles a day, while the non-prior cars were going at about seventy-nine days.

The explanation was, of course, that the prior cars, antedating the others, got into a classification track somewhere and remained there until they reached a destination at which they were to make up a train. Imagine that sort of thing happening at a number of divisional yards on a long distance line, and it is possible to understand why cars sometimes take months to reach a destination at which they are to make up a train. Compared with the dilatory coke cars it was in celerity as a rabbit to turtle.

Priority is an attempt to substitute speed for regular order. It may achieve its purpose in a limited sense, but it destroys the systematic, businesslike handling of traffic which has been built up after years of experience for the purpose of making the utmost possible use of the railroads. There will, of course, so long as the war lasts, be special priority emergencies, but this is a long war. It must become a war of routine, and the government must get over the idea that everything it needs requires to be moved immediately.

That idea is obstinately entrenched in a hundred bureaus and boards, each of which imagines that its necessities are urgent.

Canada Urged to Take RRs

[Special Correspondence]

TORONTO, Dec. 27.—Control of Canadian railways by the government on a plan similar to that announced yesterday by President Wilson is not probable, for a time at least, although the Washington announcement synchronized with the decision handed down by the Canadian Railway Commission granting an increase in passenger and freight rates of from 10 to 15 per cent.

Approximately \$25,000,000 additional revenue will flow into the coffers of the Canadian railroads, exclusive of government lines, as a result of the order granting a general 15 per cent increase in rates.

The more prominent Canadian newspapers, among them "The Toronto Globe," urge upon the government the advisability as well as the necessity for government control of all Canadian lines for the period of the war.

could make to the existing railroad plant would be additional terminals, to expedite the handling of export business, thus relieving congestion near the ports and releasing the large number of freight cars which have been tied up near the seacoast cities.

As to cutting down suburban passenger service into New York and other seaports and reducing still further the number of passenger trains, he said this was a practical question which he would naturally discuss with railroad men before deciding.

Only one conference has been held with a railroad man so far. Mr. McAdoo talked to-day with Judge Lovett, the government's priority expert, and the head of the Union Pacific system offered his services to Mr. McAdoo for any function at which he could be of most value. Mr. McAdoo will confer to-morrow morning with the head of the War Board, which he expects to be of great value to him in his handling of the situation.

Many High Salaried Executives May Go

He made it clear, however, that he would proceed slowly, and for the present, certainly, there will be no changes in the personnel of the railroad executives. It was pointed out to-night that it was beyond question that there are many men now working for the railroads, some of them big salaries, who will be absolutely useless in the new regime. For instance, many railroad presidents and other high officials whose principal value lies in their knowledge of finance and command credits, and arrange loans and bond issues, will be much less in demand with the government assuming responsibility for the financial end of the roads, and the only financial obligation on the roads being to refund maturing bonds.

Another class of railroad employees whose services will be rather useless is the freight and passenger traffic solicitors. With the shippers unable to designate the roads over which their wares are to be sent, the freight traffic solicitors will be a useless expense. High-salaried agents at important traffic producing centers, also, who have been paid big salaries because of their ability to attract business, may be replaced later on by men whose chief asset is their ability to handle the business forced on them rather than to attract business from a competing line.

It is regarded as likely that Director General McAdoo may go very much further in the curtailment of passenger trains than the railroads have gone and in the curtailment of excursion traffic. Most of the excursions have been voluntarily eliminated, excursions to Niagara Falls, for instance, having been cancelled toward the end of last season.

But the element of competition and advertising of the roads being reduced, it is thought that many more fast trains will be cut out, and perhaps the running time of some of those which remain will be reduced, so as to permit less headway between trains and increase the capacity of the line, which a given set of tracks can carry.

M'Adoo Today Orders Traffic Rerouted By Shortest Lines

[By The Associated Press]

WASHINGTON, Dec. 27.—Soon after American railroads go under government operation at noon to-morrow, Director General McAdoo will issue his first official order, wiping out competitive conditions and providing for complete pooling of traffic, equipment, terminals and trackage facilities, and for the retention of present officers and employees.

The immediate result will be a rerouting of traffic over shortest lines regardless of the company with which shipments originate, and the common use of terminals to effect maximum efficiency. Without anticipating wonders under the new plan, officials look forward to material improvement in the present traffic congestion within a few weeks.

Speedy movement of freight will be the first aim of the Director General. But problems whose solution must press close on the heels of actual transportation questions are the equitable reimbursement of roads for the use of their property on the basis of pre-war earnings, increased wages for railroad employees, financing of necessary improvements, building of additional roads or facilities, and the tangled priority situation. Before most of these questions can be settled special legislation will be necessary, and to urge this President Wilson is preparing a message to be delivered to Congress soon after it convenes after the holiday recess next Thursday. Legislation already has been drafted.

The legislation, however, and problem of dependent on it can await the deliberation of Congress while Director McAdoo must get into action to-morrow with powers already conferred on him by President Wilson. First he will confer with the Railroad War Board of presidents, whose services and advice, he said to-day, would be retained under the new administration. Then he will organize a corps of assistants and advisers, largely of experts of the Interstate Commerce Commission, in whose building he will maintain headquarters for railroad supervision.

Mr. McAdoo said to-day he had given almost no thought to the personnel of his staff, and was not prepared to outline the details of his administration. He is determined, however, to avoid disrupting any railroad organization, or any agencies already developed which can lend efficiency to the new order.

Although the Railroads War Board, after being in executive session all day, issued no statement commenting on government operation, railway executives indicated privately they were well pleased with the present situation, and optimism was reflected in the unusual rise in railroad securities on stock exchanges. Hundreds of telegrams of congratulation poured in on Mr. McAdoo.

It is considered probable that Mr. McAdoo will retain the services of Judge Robert S. Lovett, Director of Priority for the War Industries Board, with whom he conferred at length to-day, and that railroads will be instructed to continue to receive orders from that source. Another priority question is that of coordinating the preferential shipment instructions now issued by the Fuel and Food administrations and Army quartermasters through a single government transportation director to supervising government shipments.

The Director General's advisers have recommended creation of such an agency, emphasizing that the government railroad administration must justify itself immediately by providing for speedy transportation of coal. Mr. McAdoo is known to have given serious thought to the coal situation and to have received suggestions that a representative of the fuel administration be included in his staff. He will probably be composed largely of railroad men already on the government or Interstate Commerce Commission. He will receive no additional salary for acting in the dual capacity of Director General of Railroads and Secretary of the Treasury.

It is expected he also will retain the services of the railroads' committee, which has been administering the equipment pool, with headquarters in Pittsburgh.

The pending demand of the four railway brotherhoods for a 10 per cent wage increase will be considered probably in a month or two along with the more sweeping question of higher wages for all employees, including those unorganized. The Director General's advisers will suggest that a board of representatives of the railroads to settle out general wage matters for his final consideration.

If Congress follows President Wilson's recommendations concerning the guarantee of the average pre-war earnings, he will obligate the government to the extent of \$214,224,865, the average annual earnings of all roads for the three years ended last June 30. Figures compiled by the Bureau of Railway Economics, an agency of the commerce department, show net operating income for the year ended June 30, 1915, as \$695,931,861; for 1916, \$1,005,192,750; and for 1917, \$1,054,100,110.

Congress might establish this basis of compensation, virtually the lease rate for the period of government operation, but it could not compel any road to accept the terms, and a company would have recourse to the courts if it considered the rate too low. This course is not looked for from many roads, however.

Under the bill, which officials have drawn for presentation to Congress, it would be provided that earnings exceeding this basis would revert to the government for general expenditure or as a special fund for railroad improvements. Dividend payments would be subject to supervision and approval of the Interstate Commerce Commission.

No immediate appropriation will be asked of Congress by Mr. McAdoo. Not only will he not ask for any fund for new construction, but he will not be obliged to ask for any appropriation for maintenance, for general operating expenses, or for the salaries of his present plans are concerned. The obvious use to which to put any profits resulting from the government operation, should there be profits, would be, he pointed out, to improve the railroad facilities if found necessary for that purpose, but otherwise they will be covered into the Federal treasury.

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physical valuation of the railroads, which has been going on at a cost of millions a year for several years and is now conceded by many of its former friends to be utterly useless, because the railroad valuations change from day to day so rapidly that values completed of a part of a line become obsolete before the valuation of the entire line is completed, may be abandoned altogether.

Secretary McAdoo did not confirm this, saying it was in the hands of the Interstate Commerce Commission. But it is pointed out that with the fixing of a basis of earnings which settles the question of rental of the railroads, their physical valuation becomes a question of little importance. Even if the government should take over the roads, it is pointed out, the basis would be that fixed now as to the annual rental rather than the physical valuation.

President and Big Four Confer On Railroad Plan

Union Chiefs Declare Government Will Have Their Support

WASHINGTON, Dec. 27.—Heads of the four railroad brotherhoods conferred with President Wilson for an hour and a half late to-day, discussing in detail the part the employees will play under government operation. A. B. Garretson, of the conductors, said afterward that wage increases were not mentioned.

It is understood that the chiefs received assurances that most railway employees will not be liable to the next even the following draft call. Mr. Garretson added that the brotherhoods were behind the government operation plan, and the President had known it for two weeks.

The brotherhood chiefs went to the White House to discuss changes in their relationship with the railroads, particularly the question of whether Director General McAdoo will deal directly with the men in their pending demand for 40 per cent higher wages, or whether he will authorize a committee of managers to negotiate, as in the past.

It was understood Mr. McAdoo had reached no conclusion as to the best method of procedure, but that he probably would favor allowing the managers to thrash out wage questions, for later submission to him.

Brotherhood leaders explained that the railroads had until the end of this month to give an answer as to whether they will negotiate with the men on the 40 per cent wage demand, and that the government operation plan probably will delay this procedure somewhat. No strike is threatened, they emphasized, and the President already has been assured the support of the workmen.

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